5. *Insurance*

Meaning of Insurance

Insurance has been defined as a plan by which a large number of people exposed to a similar risk, make contributions to a common fund out of which the losses suffered by the unfortunate few, due to accidental events; are made good. It is an instrument of distributing the losses of few among many. Insurance may be described as a social device to reduce or eliminate risk of loss to life and property.

(a) Functional Definitions :

(1) According to Sir William Beveridge, "The collective bearing or risks is insurance."

(2) According to Allen Z. Mayerson, "Insurance is a device, for the transfer to an insurer of certain loss that would otherwise be borne by the insured."

(b) Legal Definitions :

(1) According to Patterson, "Insurance is a contract by which one party, for a compensation called the premium, assumes particular risks of the other party and promises to pay ascertained sum of money in a specified contingency."

(2) According to Tindall, "Insurance is a contract in which insurer gives fixed sum to the insured in case of happening of certain event in lieu of bearing risks."

Functions of Insurance

(I) Primary Functions

(1) To provide certainty against the probable risks :

(2) To provide security jacket :

(3) Distribution of personal risk at broader basis :

(4) To create insurance awareness :

(5) To do market research :

(II) Secondary Functions

(1) Research and development :

(2) To help in loss prevention :

(3) To Provide capital and credit :

(III) Other Function of Insurance

(1) Means of saving and investment

(2) Source of earning foreign exchange

(3) Risk free trade

Insurance Structure in India

In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra).

An Insurance Marketing typically comprises of the following 3 stakeholders:

- Policy holder
- Insurance Agent, Intermediary or Insurance Intermediary
- Insurance Company/Insurer

Policyholder is the customer to whom the policy is issued. The Policyholder can be an Individual Policyholder or a Corporate Policyholder. Individual Policyholders are also called

the Retail segment and constitutes the biggest chunk of customers. Corporate Policyholders comprise of business entities that purchase insurance cover for various business needs.

In the **Life insurance** segment, it can be Group Term Life Insurance policies, Group Superannuation Policies, Group Credit Life Policies. In **Non-life Insurance** business, individual Policies are taken for various lines of business such as Vehicle/Motor Insurance, Health Insurance, Fire insurance, Householders' Comprehensive Policy etc. Engineering insurance, Directors & Officers indemnity Insurance policies, Aviation Insurance etc. come under Corporate Policies category.

Insurance companies provide the service of insurance coverage to the Policyholders. They accept the premiums from the Policyholders who take Insurance Policies through the registered intermediaries and provide the Insurance cover by issuing Insurance Policy documents, which constitute the contract between the Insurance companies and the Policyholders. Insurance Policy specifies various terms and conditions governing the insurance coverage.

Upon happening of the insured event, the Claim amount is paid to the Policyholder. For example, in the case of a Life Insurance Policy, upon death of the Life assured (the person whose life is covered), the Sum Assured (which is a lump sum) is paid to the Nominee (who is appointed at the time of making application for insurance by the Policyholder).

Similarly, in the case of Vehicle Insurance (also called Motor insurance), upon accident to say, the Motor car, an assessment of the loss is undertaken, and the actual amount of loss in terms of the policy conditions is reimbursed as per the policy document.

In case of a Motor Third Party Claim (A Motor vehicle hitting another third person), the Claim is paid to the injured person or the nominee in case of the accident results in death of the third person.

Channel partners or Distributors constitute the crucial link between the policyholder and the Insurance company. The following are the major different types of distributors in insurance:

- Individual Agents
- Corporate agents
- Insurance Brokers
- Point of Sales Person (POS)
- Motor Insurance Service Provider (MISP)
- Web Aggregators
- Insurance Marketing firms
- Micro insurance agents
- Common Service Centres

These are discussed below:

Individual Agents work for only one insurance company at a time. They are permitted to sell the insurance products of only 1 insurance company they are tie up with. An individual agent can work for 1 Life Insurance

Company, 1 Non-life insurance company and 1 Stand-alone health insurance company at a time. These are individuals who can be appointed by an insurance company to sell insurance policies on their behalf. As per Section 42 of the Insurance Act, 1938, an insurer may

appoint any person to act as insurance agent for the purpose of soliciting and procuring insurance business.

Corporate Agents are allowed to work for up to 3 Life, 3 Non-life and 3 Stand-alone health insurance companies at a time. In the case of a Corporate Agency, a Partnership firm or a Company may apply for doing insurance agency, as against individuals. However, unlike Individual agent who can work for only 1 insurer in a line of business (Life/Non-Life/Standalone health), a Corporate agent is allowed to work for up to 3 insurers in each line of business. Therefore, a Corporate agent can work up to a maximum of 9 insurers, with a cap of 3 insurers in each line of business. Minimum capital and net worth requirement (only for exclusive corporate agents) is Rs. 50 lakhs.

Insurance Brokers are authorized to sell the insurance products of any number of insurance companies, Life, Non-life and Stand-alone Health insurance companies. An Insurance Broker represents a client and not insurer and is therefore independent of the insurer. Unlike a Corporate Agent who can represent upto 3 insurers, brokers can sell the products of any number of insurance companies. Sales practices of broker do not bind the insurer, even though the insurer is liable on the contract issued to the customer. However, Consumer Courts & Ombudsmen hold insurers responsible for misrepresentation of Brokers. The 3 types of Brokers recognised are Direct, Reinsurance & Composite. Minimum capital requirement for Direct Broker is Rs. 50 Lakhs. Further, there is a requirement of maintenance of minimum professional indemnity cover of Rs. 50 lakhs. Net worth of the Broker shall not fall at any time below the Capital (Rs. 50 lakhs in the case of Direct Broker). Due date for submission of financial statements extended to 30 September (earlier it was 30 June).

Point of Sale Person (POS) are permitted to sell only certain approved pre-underwritten products. A Point of Sales Persons ('POSP') model is a recent innovation and is intended to sell simplified products in any area — Urban or Rural. POSP can be appointed by an Insurer or Intermediary subject to the fulfillment of certain conditions.

Motor Insurance Service Provider (MISP) **—** These include the automobile dealers for selling new or used automotive vehicles and to solicit and procure business for non-life Insurers for the motor line of business.

Web Aggregators sell through on-line process for multiple insurance companies. A Web Aggregator is an online seller of insurance products allowed to sell insurance products of multiple insurance companies. Example: Policy Bazaar. They are permitted to do only online sales, though telephonic solicitation is also allowed. Since the Web Aggregator aggregates the insurance products of multiple insurance companies through internet (Web), they are called Web Aggregators. Minimum capital & Networth of Rs. 25 lakhs and cannot act as agent, broker, TPA surveyor or be their related party. All Web Aggregators shall get approval from IRDA valid for 3 years.

Insurance Marketing Firms are allowed to sell insurance products as well as other Financial products under one entity. It is an entity which is permitted to solicit insurance products by employing Insurance sales persons for 2 life, 2 non-life and 2 health insurance companies at a time. Apart from Insurance Products, they are also allowed to sell other financial products like Mutual funds, Small savings etc. The Minimum capital requirement is Rs.10 lakhs (foreign equity not to exceed 49%).

Micro Insurance Agents (MIA) and **Common Service Centres (CSC)** cater to the Rural and Micro insurance segment. They sell typically low-ticket simple insurance products in Rural areas and promote insurance penetration across the Rural segment. MIA is recognized to sell insurance products predominantly in rural areas and to the under privileged sections of the society. Micro insurance agent can work with 1 life, 1 non-life, 1 health and Agriculture Insurance Company. Under CSC model, Village Level Entrepreneurs ('VLEs') who offer certain services to the villagers like payment of utility bills, booking of train tickets, selling of manures and fertilizers etc., are also permitted to sell insurance products.

The various Distributors mentioned above approach Prospects/Policyholders and sell Insurance Policies for Insurance companies. In consideration of the business sourced, Insurance companies pay them commission as the compensation which is based on the premiums collected from the policyholders and remitted to insurance companies. For all the above intermediaries, there are detailed IRDAI Regulations/guidelines regulating their conduct of operations.

Important Terminologies

Proposal (or) Proposal form denotes the application for insurance which contains and solicits information from the Proposer to enable the Insurer to take a decision on whether to accept the risk or not.

Proposer is the person who submits proposal form for insurance to the insurance company and who is interested in taking an Insurance Policy.

Underwriting is the process of assessment of risk on a proposal by the insurance company and arriving at the decision (to accept, reject, rate-up, postpone) and the terms and conditions upon which an insurance contract may be accepted.

Policyholder is the person who is issued an Insurance Policy document by the Insurance Company Consequent to underwriting and issuance of Insurance Policy to Cover the risk stated in the Proposal form on such terms and conditions as mentioned in the Insurance Policy document issued by the Insurer to the Policyholder.

Insurance Policy document (or) Policy document (or) Policy constitutes the contract between the Insurance company and the Policyholder, stating the terms and conditions of the insurance coverage provided by the Insurance company to the Policyholder.

Subject matter of insurance is the person or object upon whose loss or upon the loss of which object the insurance company agrees to pay a specified sum as the compensation to the Policyholder.

Life insured (or) Life assured under a Life insurance Policy is the subject matter of insurance on whose death a specified sum of money is paid by the Life insurance company.

A Policyholder and Life assured may be the same person or different persons. Where a person takes a Policy on his own life, both Policyholder and Life assured constitute the same person. Where a Policyholder takes a policy on another person's life (on whom the policyholder has insurable interest), the policyholder and life assured can be different persons.

Sum Assured (or) Sum Insured means the amount promised to be paid by the insurer upon the death of the life insured.

Counter offer denotes the extra premium proposed by the Insurer upon underwriting the proposal to accommodate for the extra risk taken by the insurance company on a proposal.

Benefits illustration is the document provided to the Policyholder at the point of sale giving the details of premiums payable by the Policyholder year-wise along with the benefits payable at the end of each Policy year.

Assignment is transfer of Insurance Policies to another person with or without consideration.

Mortality is the rate of death of the population.

Morbidity measures the rate of contraction of illnesses by the population and serves as the basis for calculation of premiums under Health insurance policies and Critical illness benefits.

Annuity is a series of regular and periodic payment payable in consideration of usually a lump sum.

Types of insurance

A. Life insurance

A life insurance policy is something that provides a dedicated sum of money on the demise of the policyholder or after a certain period of time.

Life insurance is a contract wherein an individual is offered financial coverage by an insurance company in exchange for a payment over a period. The payment made to the insurer is referred to as the premium. In case the policyholder passes away during the policy tenure, the insurance company will offer a lump sum amount to his/her nominee. This lump sum amount is called the sum assured on death or the death benefit. Upon completion of the policy term, the policyholder receives a sum assured on maturity or the maturity benefit from the insurer along with some bonuses.

A pure protection plan, such as a term insurance policy, offers only the death benefit. However, there are several types of life insurance policies that offer savings in addition to protection. The savings can be in the form of a maturity benefit or bonus. Premiums paid and benefits received under life insurance are liable to tax benefits under Section 80C and Section 10(10D) of the Income Tax Act, 1961.

Benefits of a Life Insurance Policy:

Life Insurance policies offer several different benefits to individuals. Following are the most important:

- **Risk Cover:** Since uncertainties are unpredictable and may cause problems to an individual and his/her family at any time, availing a life insurance policy will ensure that your family and dependents continue to enjoy a quality lifestyle in case of your unforeseen and accidental death.
- **Comprehensive Plan for Different Stages of Life:** Not only does life insurance offer financial support in case of the policyholder's unforeseen and accidental death, but also serves as a long-term investment in the sense that it encourages you to lay down your objectives, whether it is the education of your children, their marriage, constructing the home of your dreams, or even planning for a peaceful retired life. The planning will be done based on your risk appetite and life stage. Most conventional life insurance plans, such as traditional endowment plans, provide specific maturity benefits and built-in guarantees via a number of product options like Guaranteed Maturity Values, Guaranteed Cash Values, Money Back, etc.

- **Cover for Increasing Health Expenses:** Whether it is through stand-alone insurance policies or through riders, all life insurance providers offer financial cover against hospitalisation expenses and critical illnesses. Since health expenses are increasing constantly, the need for health insurance policies has increased too, as it ensures that the policyholder will have minimal medical costs to deal with.
- **Promotes Savings in the Long Run:** Since life insurance policies are long-term agreements wherein the policyholder is required to make a fixed periodical payment, it helps the policyholder in culcate the habit of savings. Saving money regularly over a relatively long period of time helps in building a good corpus which will in turn help in meeting your financial requirements at different stages of life.
- **Profitable and Secure Long-Term Investment:** The insurance industry is highly regulated. The Insurance Regulatory and Development Authority of India has implemented several regulations through which the money of the policyholder is ensured to be safe with the stakeholders, which means that all the money you invest in your life insurance policy will be the responsibility of the stakeholders of the company through which you avail your policy. Since life insurance is a long-term savings product, it also ensures that the policyholder focuses on long-term returns rather than focussing on risky investment decisions that could provide short-term profits.
- **Guaranteed Income via Annuities:** When it comes to planning for retirement, there are few instruments as effective as life insurance policies. Since you will be saving money over a period of time, life insurance policies will help in providing a steady source of income after you have retired from professional life.
- **Growth via Dividends:** Conventional life insurance policies provide customers with an opportunity to take part in the economic growth while taking no investment risk whatsoever. While the policyholder split the investment income through yearly announcements of bonus/dividends, the policyholder will earn maturity benefits in addition to contributing to economic growth.
- **Loan Facility:** Individuals who avail life insurance policies will have the choice of availing a loan against their insurance policy, which could help them meet their unplanned life stage requirements without hampering the benefits provided by the policy they have purchased.
- **Redemption of Mortgage:** Life insurance policies serve as the best possible tool for the coverage of loans and mortgages availed by the policyholder. If there is ever any unforeseen situation due to which the policyholder is not able to repay his/her loan or mortgage, the bereaved family members will not have the burden of repayment, and the policy can be used to repay the loan or mortgage.
- **Tax Benefits:** Life insurance policies offer attractive tax benefits and help you save a significant amount of money which would otherwise be spent on taxes.

Classification of Life Insurance

Life insurance may be classified as follows on the basis of broad format of insurance :

(A) Ordinary Insurance

(B) Industrial and Intermediate Insurance

(C) Group Insurance

(A) Ordinary Insurance : In ordinary insurance, large amount of insurance is done on the basis of decided premium according to the fixed minimum amount and its multiples. The duration of payment of premium may be annual, six-monthly or monthly. In this type of life insurance, endowment insurance and whole life insurance may be included. These insurances are of permanent nature and long-term duration. These are called ordinary insurance because the basic foundation of life insurance is endowment insurance and whole life insurance.

(B) Industrial and Intermediate Insurance : Industrial insurance policies are such life insurance policies issued in public interest commonly in foreign countries which are for small amount and premium amount is insignificant to recover that the representatives of insurance institution need not go to the assured's houses themselves.

Intermediate insurance may be assumed on the basis of the amount of insurance and it may be considered as synonymous to industrial insurance.

(C) Group Insurance : Group insurance is an insurance which is meant for a group of persons without medical checkup through the master insurance policy. Although, in this scheme, insurance policy bonds-sum-certificates are issued to the people of group, but actually one insurance policy is issued.

Classification of Life Insurance Policy

1. Whole Life Insurance Policy

Whole life insurance policy is defined as an insurance in which the insured person pays the premium in the installment basis for full duration of his/her life. After the death of insured, his/her nominee receives the insured amount. There are 3 types of whole life insurance policy :

(a) **Ordinary Whole Life Insurance Policy :** In this policy, insured person has to pay the premium to his/her concerned insurance company till his/her death. The insured person can't utilize the insured amount because this amount will be returned after his/her nominee.

(b) **Limited Premium Whole life Insurance Policy :** Under this policy, the insured person has to pay the premium for limited time and the insured amount will be returned after the death of insured person to his/her nominee.

(c) **Convertible Whole Life Insurance Policy :** It is that type of policy which can be converted to endowment life insurance policy after a certain time. It is suitable for those people who have lower income at present and they hope for increment in income in the near future.

2. Endowment Life Insurance Policy

It is defined as that type of insurance in which the insured person pays the premium for a certain time and after certain time they receive insured amount. If she/he dies before the insured period his/her nominee receives the insured amount. Generally endowment life insurance policy is done for 10, 15 20 years and more. The insured has to pay the premium either till the end of insured period or till the death of insured which ever is earlier.

(a) **Ordinary Endowment Life Insurance Policy :** Under this policy, time will be fixed for a certain period and insured person have to pay either till the end of insured period or till his/her death. If he/she dies earlier before insured period, his/her nominee receive the amount. And if she/he is alive then himself/herself go and receive the amount.

(b) **Joint Endowment Life Insurance Policy :** In this policy, two or more persons are involves in the insured person .The premium amount should be paid till the insured person's death like in ordinary endowment life insurance policy.

(c) **Double Endowment Life Insurance Policy :** Under this policy, the insured person receives double of the insured amount is she/he is alive till the end of the maturity time. If she/he dies before the insured person his/her nominee receive only single insured amount.

(d) **Pure Endowment Life Insurance Policy :** Under this policy, insured person receive the insured amount after the certain time when he/she is alive. If the insured person dies before the end of maturity time the insurer becomes free from its liability.

3. Term Life Insurance Policy

Straight term life insurance policy: Under this policy premium is paid as lump sum money. The insured time maturity period is not more than 2 year. Therefore it is known as temporary term life insurance policy. If the insured person dies before the insured period his/her nominee receives the insured amount. But if he/she is alive then he/she doesn't receive anything.

(a) **Straight Term Life Insurance Policy :** Under this policy premium is paid as lump sum money. The insured time maturity period is not more than 2 year. Therefore it is known as temporary term life insurance policy. If the insured person dies before the insured period his/her nominee receives the insured amount. But if he/she is alive then he/she doesn't receive anything.

(b) **Renewal Term Life Insurance Policy :** Under this period the insurance can be renewed after the maturity of the insured period. Second rate of premium may be higher than the first rate of premium. Because the age of the person also increases with renew of insurance. It doesn't need a new health report or any sort of agent report for renewal.

(c) **Convertible Term Life Insurance Policy :** It is generally done for 5, 6 or 7 years like term life insurance policy. If the insured person want to convert this insurance policy in whole life insurance policy and endowment life insurance policy it can easily be converted.

4. On the Basis of Profit Distribution

(a) **With Profit Policy :** Under this policy the insured person receive the insured amount with the profit of insurance company. In other words if the insured person dies before the term of insured period his/her nominee receive only insured amount not the profit of the company. But if he/she is alive then with the amount of premium the portion of profit of the insurance company is also received by the insurer.

(b) Without Profit Policy : Under this policy the insured person doesn't receive the insured amount with the profit of insurance company ,in other words if the insured person dies before the term of insured period or remains alive till the end his/ her nominee himself/herself receive only insured amount not the profit of the company.

5. On the Basis of Number of Insured

(a) Single Life Insurance Policy : Under this policy there is only one individual as a insured person. Single life insurance policy is applied in whole life insurance policy, endowment life insurance policy and term life insurance policy.

(b) Joint/Multiple Life Insurance Policy : Under this policy two or more than 2 persons are involved as husband and wife, partners of partnership firm and other people may conduct the joint life insurance policy. It may be applied in whole life insurance policy and endowment life insurance policy.

6. On the Basis Premium Payment

(a) Single Premium Life Insurance Policy : Under this policy, insured person pay the premium to the insurance company at the beginning in the lump sum amount. There is no tension to pay the premium timely later on. It is mostly used in that case when a person wins a lottery.

(b) Regular Premium Life Insurance Policy : Under this policy the insured person pay the premium up to his/her death for a certain time. In other words, the insured person pays the premium to insurance company regularly or timely.

(c) Limited Payment Premium Life Insurance Policy : Under this policy the insured person pay the premium up to his/her death for a certain time. The time is however less than the insured period.

7. On the Basis of Payment of Insured Amount

(a) Lump Sum Payment Policy : Under this policy the insured person receives the total insured amount. Even all premiums have not been paid, total insured amount is received by the nominee of the insured person and if the total amount has been paid she/he receives the total insured amount himself or herself.

(b) Installment Payment Policy : Under this policy, the insured person and nominee receive the insured amount in the installment basis. It is useful to those individual who are old and lump sum amount may be misused.

B. Non-Life Insurance

General **insurance** or **non-life insurance** policies, including automobile and homeowners policies, provide payments depending on the loss from a particular financial event. A general insurance is a contract that offers financial compensation on any loss other than death. It insures everything apart from life. A general insurance compensates you for financial loss due to liabilities related to your house, car, bike, health, travel, etc. The insurance company promises to pay you a sum assured to cover damages to your vehicle, medical treatments to cure health problems, losses due to theft or fire, or even financial problems during travel.

Type of Non-Life Insurance :

1. Health Insurance
2. Motor Insurance
3. Travel Insurance
4. Home Insurance
5. Fire Insurance
6. Marine Insurance
7. Rural Insurance

1. Health Insurance

Health Insurance Industry in India is seeing a groundbreaking change due to private insurance providers offering customized plans to the consumers. These plans are tailor-made considering the varied requirement of customers. For example, there are plans customized only for diabetic patients, cancer patients, etc.

Health Insurance is a type of insurance that covers the insured's medical and surgical expenses. Depending on the policy terms and conditions, the insurer either pays the insured in the form of reimbursement or offers a cashless facility at the listed network hospital of the Insurance Company.

Certain benefits offered under Health Insurance Plans are :

- Pre & Post Hosptialization Benefit
- Cashless Treatment
- Day Care Treatment, etc.

You can also opt for additional Riders along with a Comprehensive Health Insurance Policy to enhance your health Insurance plan even better.

This may include :

- Room Rent Waiver
- Maternity Cover
- Critical Illness Cover
- Hospital Cash
- Personal Accident Rider, etc.

Health Insurance is divided into 4 categories which includes comprehensive health insurance, family floater cover, surgery cover and individual cover.

2. Motor Insurance

As per the Motor Vehicles Act, 1988, all vehicles running on the Indian roads is mandatory to be insured. Motor insurance companies allow you to choose the type of coverage you want to opt for. There are two types of motor insurance - Third Party Liability Cover and Comprehensive Motor Insurance Policy.

Motor Insurance category includes

Car Insurance : The smartest thing to secure your car financially is by buying a car insurance policy. This would save your finances if your car meets with an accident, or falls prey to any natural disaster like floods, earthquake, theft, etc.

There are 2 types of car insurance policy :

1. **Third Party Liability Car Insurance** is nothing but the coverage guaranteed to the third party only i.e. Damage to another person's vehicle or property, bodily injuries and permanent disability during an accident by your vehicle. It is a mandatory over as per the law. This type of coverage is best for people who think motor insurance is mandatory and buy this type just for the heck of it.
2. **Comprehensive Car Insurance** is an optional coverage and thus is not mandatory. This type of car insurance provides coverage for third-party and also for your car. It is best for those who want to cover the losses due to the accidents and also to recover losses due to theft and natural disasters, and not for those who take car insurance merely as a mandatory clause.

Two Wheeler Insurance : There is nothing exciting than riding your bike wherever you wish to. Because for many, their two-wheeler is their personality. This makes it very important to insure your two-wheeler. Buying a two-wheeler insurance would save your money against the financial losses if your bike was damaged in an accident or say, robbed.

There are two types of two-wheeler insurance policy:

1. **Third Party Two Wheeler Insurance** is nothing but the coverage guaranteed to the third party only i.e. to another person's vehicle or property, bodily injuries and permanent disability during an accident by your two-wheeler and is mandatory by law. This type of coverage is best for people who think two-wheeler insurance is mandatory and buy this type just for the heck for it.
2. **Comprehensive Two Wheeler Insurance** is an optional coverage and thus is not mandatory. This type of insurance provides coverage to third-party, to you as well as your vehicle. It is best for those who want to cover the losses due to the accidents and also to recover losses due to theft and natural disasters, and not for those who take two-wheeler insurance merely as a mandatory clause.

There are certain perks of buying motor insurance which includes personal accident cover, cashless services at network garages, roadside assistance, towing support, etc.

3. Travel Insurance

Travel insurance would help you tackle all the travel and medical contingencies while you travel abroad. It is utmost important to add travel insurance to your checklist while you plan your vacation, be it for leisure or business. Travel insurance is gaining back all its lost significance.

The main reasons to buy a Travel Insurance is to avoid unforeseen conditions like

- Flight delay
- Loss of baggage
- Loss of passport
- Medical emergencies
- Emergency dental expenses
- Hospital cash allowance
- Accidental death

- Hijack distress allowance
- Financial emergency assistance, etc.

Other than the benefits listed above, it also offers coverage for expenses to take the insured's mortals back to the home country and many more.

Travel Insurance Category Includes :

- International Travel Insurance
- Student Travel Insurance
- Group Travel Insurance
- Senior Citizen Travel Insurance
- Domestic Travel Insurance
- Schengen Travel Insurance
- Asia Travel Insurance
- Corporate Travel Insurance

4. Home Insurance

Home insurance is a cover that pays or compensates you for damage to your home due to natural calamities, man-made disasters or other threats.

It covers liabilities due to fire, burglary, theft, flood, earthquakes, and sabotage. It not only offers financial protection to your home, but also takes care of the valuables inside the property.

Types of home insurance are :

Standard Fire and Special Perils Policy	This covers your home against fire outbreaks and special perils. The dangers covered are : • Natural calamities like lightening, flood, storm, earthquake, etc. • Damage caused due to overflowing or bursting of water tanks, pipes, etc. • Damage caused due to man-made activities such as riots, strikes, etc.
Home Structure Insurance	This protects the structure of your home from any kinds of risks and damages. The cover is also extended to the permanent fixtures within the house such as kitchen and bathroom fittings.
Public Liability Coverage	The damage caused to another person or their property inside the insured home can also be compensated.
Content Insurance	This covers the content inside the insured home. What's commonly covered: Television, refrigerator, portable equipment, etc.

5. Fire Insurance

Fire insurance pays or compensates for the damages caused to your property or goods due to fire. It covers the replacement, reconstruction or repair expenses of the insured property

as well as the surrounding structures. It also covers the damages caused to a third-party property due to fire. In addition to these, it takes care of the expenses of those whose livelihood has been affected due to fire.

Types of Fire Insurance : Some of the common types are :

Valued Policy	The insurer firsts value the property and then undertakes to pay compensation up to that value in the case of loss or damage.
Floating Policy	It covers the damages to properties lying at different places.
Comprehensive Policy	This is known as an all-in-one policy. It has a wide coverage and includes damages due to fire, theft, burglary, etc.
Specific Policy	This covers you for a specific amount which is less than the real value of the property.

6. Marine Insurance

Marine insurance is also known as **Cargo Insurance**. It covers any loss or damage due to cargo, terminals, ships and other transport or cargo through which any property is acquired, transferred or is held between two points that can be the origin and the destination point.

The **various types of Marine Insurance** includes,

- Cargo Insurance
- Hull Insurance
- Freight Insurance
- Liability Insurance, etc.

7. Rural Insurance

Rural insurance helps to fulfil the requirements of rural and agricultural businesses which is the base of rural insurance. The motive of the this type of general insurance is to ensure that **working capital as well as assistance is offered to the rural families.** This can be done in the form of income generating assets.

Rural Insurance Includes

- Livestock such as goat, sheep, cattle, etc.
- Agricultural pump sets
- Plantation like grapes, rubber trees
- Sub-Animals including silkworm, honeybee, etc.

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Your policy may not cover liabilities in certain situations. These are known as exclusions:

Life	If death occurs due to
	Alcohol or drug abuse
	War or terrorism
	Suicide or self-inflicted injuries
	Gross negligence or carelessness
Car	Damage caused when the policy is not active
	Loss of personal belongings kept in the car
	Damage to a car that is not insured
	Damage caused when driving without a license
	Damage caused when driving under the influence of alcohol or drugs
	Damage due to wars, mutiny or nuclear risks
Bike	Damage due to war, mutiny or nuclear risk
	Normal wear and tear and general ageing
	Tire or tube punctures. (If, however, your two-wheeler is damaged at the same time, you will be compensated for 50% of the cost of repair or replacement
	Mechanical or Electrical breakdown
	Any loss or damage caused outside India
Health	Hospitalization due to war or related activities
	Medical condition due to abuse of intoxicants or hallucinogenic substances
	Any medical condition existing before buying the policy during the waiting period
	Non-allopathic therapies such as acupuncture, yoga, naturotherapy, etc.
	Diagnostic charges if the reports do not confirm the existence of the covered disease
	Self-inflicted injuries
Travel	Travelling against the advice of the physician
	Baggage delay for less than 24 hours
	Psychological illness or self-inflicted injuries during your trip
	War or civil unrest in international locations
	Participation in hazardous sports like bungee jumping, parachuting, etc.

Home	Wilful destruction of the property
	Damages caused due to wear and tear
	Damages caused due to war
	Loss of money kept inside the property
	Loss to a property that has remaind unoccupied for a certain period
Fire	Loss or damage caused to the property due to:
	Nuclear perils
	War or related activities
	Pollution or contamination
	Mechanical or electrical breakdowns

Risk Management

Definition of Risk

> *"Risk is a concept with several meaning depending on the context and the scientific discipline in which it is used." For the people who assign no precise scientific meaning to the term or who use it loosely, the concept of risk means exposure to adversity or danger.*
>
> ***- Mehr and Cammack***

> *"Risk can be defined as the variability in possible outcomes of an event based on chance, or risk can be defined as uncertainty concerning loss. The degree of risk refers to accuracy with which an event based on chance can be predicted."* ***- Dorfman***

Types of Risks

Risks may be classified into two categories: first, pure risks and second, speculative risks. Then they are divided into static and dynamic risks and subjective and objective risks. Their brief description is given as under.

(I) Pure versus Speculative Risks

An important classification of risks involves the concepts of pure risk and speculative risk.

(a) **Pure Risk :** It exists when there is uncertainty as to whether loss will occur or not.

(b) **Speculative Risk :** It exists when there is uncertainty about an event that could produce either a profit or a loss. Business ventures and investment decisions are example of situations involving speculative risk.

(II) Static versus Dynamic Risks

Another way of classifying risks involves the extent to which uncertainty change over time.

(a) **Static Risk :** It can be either pure or speculative, and stems from an unchanging society that is in stable equilibrium.

(b) **Dynamic Risk :** These are produced because of changes in the society. Dynamic risks can also be either pure or speculative.

(III) Subjective versus Objective Risks

(a) **Subjective Risk :** It refers to the mental state of an individual who experiences doubt or worry as to the outcome of a particular event.

(b) **Objective Risk :** It differs from subjective risk primarily in the sense that it is more precisely observable and therefore, measurable.

Risk Management Definition

> *"Risk management is a logical approach to solving those problems a business faces because it is expected to the possibility of loss."* ***- Mark S. Dorfman***

> *"Risk management is a systematic process of identifying and assessing company's risks and taking actions to product a company against them."* ***- Jain and Jain***

Risk Management Process



(1) **Identifying the Risks :** The first step in the risk management process is to identify the relevant exposures to risks. This step is important not only for traditional risk management, which focuses on pure risks, but also for enterprise risk management.

(2) **Evaluating the Risks :** At this stage, pure risks can be categorized as to how often associated losses are likely to occur. In addition to this evaluation of loss frequency, an analysis of the size, or severity, of the loss is helpful.

(3) **Selecting Risk Management Techniques :** The results of the analysis in step 2 are used as the basis for decisions regarding ways to handle the existing risks. In some situations, the best plan may be to do nothing.

(4) **Implementing and Reviewing the Decisions :** Following a decision about the optimal methods for handling identified risks, the business or an individual must implement the techniques selected. However, risk management should be an ongoing process in which prior decisions are reviewed regularly.

Methods of Handling and Controlling Risk

There are 5 major methods of handling and controlling risk.

1. Risk Avoidance : Risk avoidance is one method of handling risk. For example, you can avoid the risk of being pick pocketed in

Delhi Metro by not travelling in Metro. Similarly you can avoid the risk of divorce by not marrying.

2. Risk Retention : Risk retention is a second method of handling risk. An individual or a business firm may retain all or part of a given risk. Risk retention can be either active or passive. **Active risk retention** means that an individual is consciously aware of the risk and deliberately plans to retain all or part of it. For example, a motorist may wish to retain the risk of a small collision loss by purchasing an own damage insurance policy with a Rs 2,000 voluntary excess. A homeowner may retain a small part of the risk of damage to the house by purchasing a Householders policy with substantial voluntary excess.

Risk can also be **retained passively**. Certain risks may be unknowingly retained because of ignorance, indifference, or laziness. This is often dangerous if a risk that is retained has the potential for destroying a person financially. For example, many persons with earned incomes are not insured against the risk of long-term disability under either an individual or group disability income plan.

3. Risk Transfer : Risks can be transferred by several methods. Among which some are following:

Transfer of Risk by Contracts : Unwanted risks can be transferred by contracts. For example, the risk of a defective television or stereo set can be transferred to the retailer by purchasing a service contract, which makes the retailer responsible for all repairs after the warranty expires.

Hedging Price Risks : Hedging price risks is another example of risk transfer. Hedging is a technique for transferring the risk of unfavorable price fluctuations to a speculator by purchasing and selling futures contracts on an organized exchange, such as NSE.

4. Loss Control

Loss control is another important method for handling risk. Loss control consists of certain activities undertaken to reduce both the frequency and severity of losses. Thus, loss control has two major objectives:

Loss Prevention : Loss prevention aims at reducing the probability of loss so that the frequency of losses is reduced. Several examples of personal loss prevention can be given. Automobile accidents can be reduced if motorists pass a safe driving course and drive defensively. Dropping out of college can be prevented by intensive study on a regular basis. The number of heart attacks can be reduced if individuals watch their weight, give up smoking, and follow good health habits.

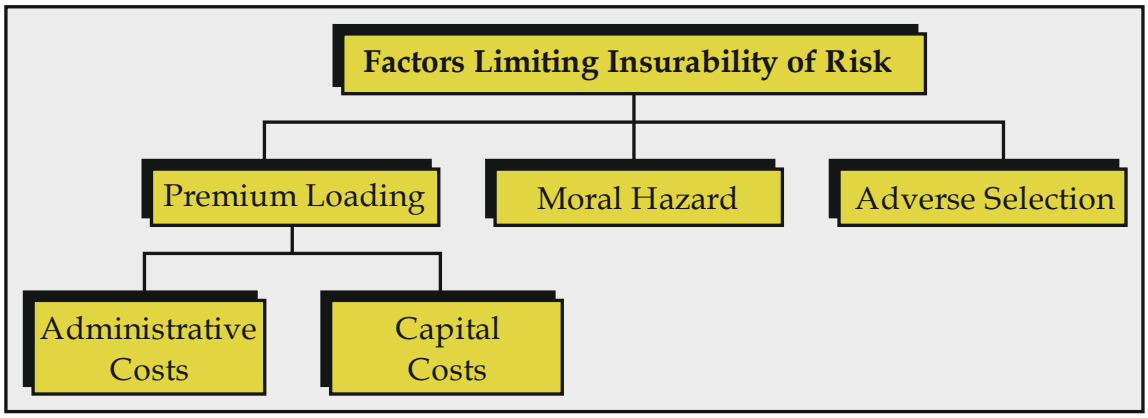
Loss Reduction : Although stringent loss prevention efforts can reduce the frequency of losses, some losses will inevitably occur. Thus. The second objective of loss control is to reduce the severity of a loss after it occurs. For example, a warehouse can install a sprinkler system so that a fire is promptly extinguished, thereby reducing the loss.

5. Insurance

Insurance is another method of Risk Management. Insurance and reinsurance are both forms of financial protection which are used to guard against the risk of losses. Losses are guarded against by transferring the risk to another party through the payment of an insurance premium, as an incentive for bearing the risk. Insurance and reinsurance are similar in concept even though they are quite different to each other in terms of how they are used.

Factors Limiting the Insurability of Risk

There are three major factors that increase costs and limiting and thereby limit the insurability of risk in private insurance markets, as explained below :



(i) Premium Loading : It reflects insurer administrative and capital costs. If an insurance contract's premium equals the present value of expected claim costs, a risk-averse person will likely demand full insurance coverage for monetary losses that otherwise would be paid by the person. Because premiums almost always have a positive loading, however, risk-averse people will demand less than full coverage. As the loading increases, the quantity of coverage demanded is likely to decrease. Thus, any factor that increases administrative or capital cost (and thus the loading on a policy) will limit the amount of private market insurance coverage. Simply stated, higher premium loading generally imply less coverage. In addition, insurance coverage for some risk exposures is likely to be extremely limited or even nonexistent because of administrative and capital costs.

An insurance business anticipates a certain amount that might be claimed through insurance for a certain period. Like for example, till a person is healthy, he proved to be at a lower risk of claiming his insurance. When diagnosed with certain health complexities that could reoccur (like a heart-attack), he is at a greater risk to the company. So to cover itself of losses that could occur from uncertainties of a customer's health, the insurance company charges a higher premium than it would before. The loading is based on one's medical history, nature of the job (whether or not dangerous) or hazardous habits.

(ii) Moral Hazard : It refers to the effect of insurance on the insured's incentives to reduce expected losses. Since losses are incurred, a portion of the benefits accrues to the insurer in the form of lower expected claim costs. The two conditions are required for moral hazard to arise. First, expected losses must depend on the insured's behavior after having obtained insurance. Second, it must be costly for the insurer to observe precautions by policy holders and measure their impact on expected claim costs.

For example: You have not insured your house from any future damages. It implies that a loss will be completely borne by you at the time of a mishappening like fire or burglary. Hence you will show extra care and attentiveness. You will install high tech burglar alarms and hire watchmen to avoid any unforeseen event. But if your house is insured for its full value, then if anything happens you do not really lose anything. Therefore, you have less incentive to protect against any mishappening. In this case, the insurance firm bears the losses and the problem of moral hazard arises.

(iii) Adverse Selection : Another factor that limits the insurability of risk is adverse selection. It refers to situations in which consumers have different expected losses (for example, book worms versus skateboarders), but the insurer is unable to distinguish between the two types of consumers and charge them different premiums. If an insurer offers insurance at the

same price to heterogeneous consumers and consumers know their expected losses, then the higher expected loss consumers (skateboarders) will tend to purchase more insurance coverage relative to the case where insureds are charged premium based on their expected losses. Conversely, the lower expected loss consumers (bookworms) will tend to purchase less insurance coverage. When this scenario occurs, adverse selection takes place.

Thus, adverse selection arises because it is too costly to classify insureds perfectly. Indeed, if each consumer's expected claim costs could be observed costlessly, then insurance premiums (barring government restrictions) would vary exactly with expected claim costs and there would be no adverse selection.

A good example of adverse selection is in the health insurance market. People most likely to purchase health insurance are those who are most likely to use it, i.e. smokers/ drinkers/those with underlying health issues. The insurance company knows this and so raises the average price of insurance cover. This risks pricing healthy consumers out of the market, meaning that only high risk individuals gain insurance — this is clearly a market failure. One interpretation of adverse selection is that "we tend to trust the people we shouldn't!"

Re-Insurance

Reinsurance is such an arrangement under which insurer transfers one part of incurred or probable risk mentioned in insurance contract to another insurance company. Thus, insurance companies adopt reinsurance as their safety measure.

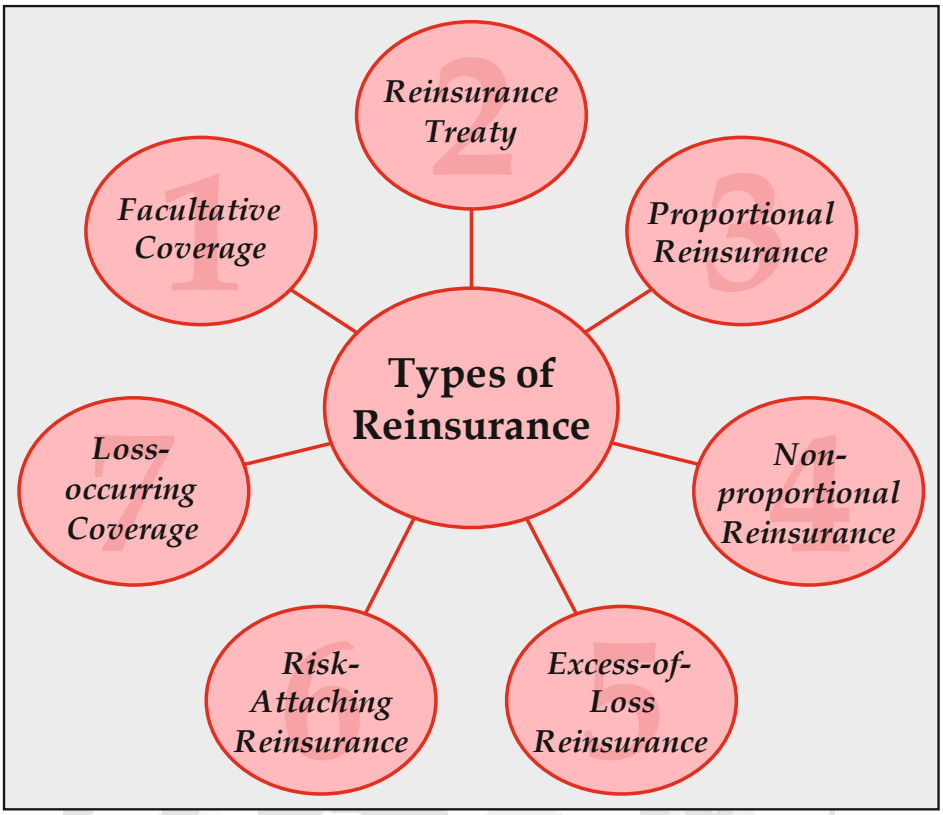
The federation of insurance institute, Bombay, defines, "Reinsurance is an arrangement whereby an insurer who has accepted an insurance transfers the part of the risk to another insurer so that his liability on any one risk is limited to a figure proportionate to his financial capacity,"

Features

- **Decreases Risk :** Insuring large numbers of homes and businesses against damage is a risky business. Especially if the area is prone to natural phenomena like severe storms. It can be extremely risky to run a business that could go under after just one weather event. Reinsurance spreads that risk out over several companies.
- **Increases Capacity :** When the risk of insolvency is decreased through the use of reinsurance, it allows the insurance company to take on more policyholders. It eliminates the fear that the company would not be able to pay out all claims in the event of a disaster.
- **Protects against Large Destructions :** Insurance companies mostly need reinsurance in a situation where hundreds or even thousands of claims pour in at once. This almost always happens after a natural disaster such as a hurricane, tornado, or flood. When large percentages of policyholders suddenly need to repair damage, reinsurance companies are key.
- **Stabilizes Loss :** Even if an insurance company can pay for a large number of claims made in a short period of time, paying out all of those claims may leave it in a dire financial situation and extremely unstable condition.

Types of Reinsurance

Major types of reinsurance policies.



1. **Facultative Coverage :** This type of policy protects an insurance provider only for an individual, or a specified risk, or contract. If there are several risks or contracts that needed to be reinsured, each one must be negotiated separately. The reinsurer has all the right to accept or deny a facultative reinsurance proposal.
2. **Reinsurance Treaty :** Unlike a facultative policy, a treaty type of coverage is in effect for a specified period of time, rather than on a per risk, or contract basis. For the duration of the contract, the reinsurer agrees to cover all or a portion of the risks that may be incurred by the insurance company being covered.
3. **Proportional Reinsurance :** Under this type of coverage, the reinsurer will receive a prorated share of the premiums of all the policies sold by the insurance company being covered. Consequently, when claims are made, the reinsurer will also bear a portion of the losses. The proportion of the premiums and losses that will be shared by the reinsurer will be based on an agreed percentage. In a proportional coverage, the reinsurance company will also reimburse the insurance company for all processing, business acquisition and writing costs. Also known as ceding commission, such costs may be paid to the insurance company upfront.
4. **Non-proportional Reinsurance :** In a non-proportional type of coverage, the reinsurer will only get involved if the insurance company's losses exceed a specified amount, which is referred to as priority or retention limit. Hence, the reinsurer does not have a proportional share in the premiums and losses of the insurance provider. The priority or retention limit may be based on a single type of risk or an entire business category.

5. **Excess-of-Loss Reinsurance :** This is actually a form of non-proportional coverage. The reinsurer will only cover the losses that exceed the insurance company's retained limit. However, what makes this type of contract unique is that it is typically applied to catastrophic events. It can cover the insurance company either on a per occurrence basis or for all the cumulative losses within a specified period.
6. **Risk-Attaching Reinsurance :** Under this type of contract, all policy claims that are established during the effective period of the reinsurance coverage will be covered, regardless of whether the losses occurred outside the coverage period. Conversely, no coverage will be given on claims that originate outside the coverage period, even if the losses occurred while the reinsurance contract is in effect.
7. **Loss-occurring Coverage :** This is a type of treaty coverage where the insurance company can claim all losses that occur during the reinsurance contract period. The important factor to consider is when the losses have occurred and not when the claims have been made.

The Insurance Regulatory and Development Authority of India Act, 1999

The Insurance Regulatory and Development Authority (IRDA) is a national agency of government of India, based in Hyderabad. It was formed by an Act of Parliament known as The IRDA Act 1999, which was amended in 2002 to incorporate some emerging requirements. The **Mission** of IRDA as stated in the act is "to protect interest of the policy-holders, to regulate, promote and insure orderly growth of the insurance industry and for matters connected therewith or incidental thereto".

Objectives

Following the recommendations of the Malhotra Committee, the Government of India realised the necessity of setting-up an Insurance Regulatory and Development Authority (IRDA) in 1999. The IRDA was set-up (a) to provide for establishment of an Authority (b) for protecting the interest of holders of insurance policies (c) to regulate, promote and insure orderly growth of the insurance industry and (d) for matter connected therewith or incidental thereto.

The Mission Statement of IRDA

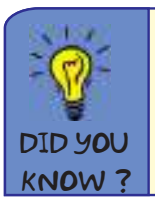
(i) To protect the interest of and secure fair treatment for policy- holders;

(ii) To bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long-term funds for accelerating growth of economy;

(iii) To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those, it regulates;

(iv) To ensure that insurance customers receive precise, clear and correct information about products and services and make them aware of their responsibilities and duties in this regard;

(v) To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery;



R.N. Malhotra Committee Recommended the Establishment of IRDA

Composition of the Authority

The Authority Comprises of the following members mentioned below;-

1. The Authority comprises of chairman, whole time members and part time members and together they act as a group of members and work jointly not individually like Controller of Insurance.
2. The Authority will continue to work even in cases of death or resignation.
3. The Authority is a body corporate with perpetual succession and a common seal.
4. The Authority has the power to sue or can be sued in its own name.

Powers & Functions of the Authority

Section 14 of the Insurance Regulatory and Development Authority of India Act, 1999 states the powers and functions of the IRDA. The power and functions of the Authority are as follows :

1. The Authority aims to protect the interest of the insurance policyholders in the matters related to surrender value of the policy, settlement of insurance claims, insurable interest, nomination by policy holders etc.
2. The authority gives the Certificate of Registration to the applicant. It can also renew, modify, withdraw, suspend or even cancel the registration of the applicant
3. The Authority states the qualifications, code of conduct and practical training for the intermediaries and insurance agents.
4. The Authority promotes the efficiency in the conduct of the business of insurance.
5. The Authority states the code of conduct for surveyors and loss assessors.
6. The Authority promotes and controls the professional organizations that are connected with the insurance business. It levies fees and charges for carrying the purpose of this Act.
7. The Authority has the power to call for information, conduct investigation, audit and enquiry of the insurers, insurance intermediaries and organization connected with the business of insurance.
8. The Authority controls and regulate the rates, gains terms and conditions that are offered by the insurers with respect to the general insurance business.
9. The investment of funds by the insurance companies are regulated by the Authority.
10. The Authority regulates the margin of solvency.
11. The Authority provides dispute resolution between the insurers and insurance intermediaries.
12. The Authority controls the working of Tariff Advisory Committee.
13. The Authority lay down the percentage of premium income of the insurer to fund the schemes for promoting and controlling the professional organizations.
14. The Authority lay down the percentage of life insurance and general insurance business that can be carried out by the insurer in the rural or social sector.

Role of Insurance Regulatory and Development Authority (IRDA)

1. To protect the interest of and ensure just treatment to insurance policy holders.
2. To encourage and ensure the systematic growth of the insurance industry so as to benefit the common man and help in bringing economic growth.
3. To set, promote, monitor and apply high standards of integrity, fair dealing, financial viability and capability of those it regulates.
4. To ensure clarity, preciseness, transparency while dealing with the insurance policy holder. The Authority ensure that correct information about the products and services is passed on to the policy holders along with making them aware of their responsibilities.
5. To provide dispute resolution mechanism and ensure speedy settlement of genuine claims. The Authority must check insurance scams and other misconducts.
6. To take suitable steps against circumstances where set standards do not prevail or inappropriately enforced.
7. To bring about the optimal amount of self-regulation in day-to-day activities of the industry reliable with the requirements of the prudential regulation.

Insurance Ombudsmen Rules 2017

The ultimate objective of these Rules is to provide for a speedy redressal of certain grievances specific to insurance sector. This is an alternative dispute resolution mechanism which is managed by insurance companies to solve the disputes arising within the industry.

An Executive Council of Insurers shall be established, which shall comprise of 9 members including the Chairperson and other members as:

(i) 2 persons representing life insurers to be nominated by the Life Insurance Council;

(ii) 2 persons representing General insurers, other than stand-alone health insurers, to be nominated by the General Insurance Council;

(iii) 1 person representing stand-alone health insurers to be nominated by the General Insurance Council;

(iv) 1 representative of the IRDAI; and

(v) 1 representative of the Central Government in the Ministry of Finance from the Department of Financial Services not below the rank of Director.

(vi) Chairman, Life Insurance Corporation of India (LIC of India).

The Chairperson of the Executive Council of Insurers shall be either the Chairman of the LIC of India or the Chairman of the GIPSA (General Insurer's Public Sector Association (India)) by rotation. The term of the Chairperson and members of the Executive Council of Insurers shall be 3 years from the date of assumption of charge.

A member of the Executive Council of Insurers shall not be eligible for re-nomination for a period of 3 years from the date he ceases to be a member (not applicable to IRDAI representative, Central Government representative, LIC & GIPSA representatives).

The functions of the Executive Council of Insurers is to issue such guidelines, including, inter-alia, relating to the procedure for the day to day administration, secretariat staffing, secretariat administrative infrastructure, and such other related aspects of functioning of insurance ombudsman system.

Establishment of Ombudsmen Offices

An Ombudsman shall be selected by a Selection Committee comprising of:

(a) Chairperson of the IRDAI, who shall be the Chairman of the Selection Committee.

(b) One representative each of the Life Insurance Council and the General Insurance Council from the Executive Council of Insurers — members.

(c) A representative of the Government of India not below the rank of a Joint Secretary or equivalent, in the Ministry of Finance, from the Department of Financial Services—member.

An Insurance Ombudsmen is appointed for a term of 3 years. However, no person can continue as Insurance Ombudsman after he/she has attained 65 years of age.

The Ombudsman shall receive and consider complaints or disputes relating to:

(a) delay in settlement of claims, beyond the time specified in the regulations, framed under the Insurance Regulatory and Development Authority of India Act, 1999;

(b) any partial or total repudiation of claims by the life insurer, General insurer or the health insurer;

(c) disputes over premium paid or payable in terms of insurance policy;

(d) misrepresentation of policy terms and conditions at any time in the policy document or policy contract;

(e) legal construction of insurance policies in so far as the dispute relates to claim;

(f) policy servicing related grievances against insurers and their agents and intermediaries;

(g) issuance of life insurance policy, general insurance policy including health insurance policy which is not in conformity with the proposal form submitted by the proposer;

(h) non-issuance of insurance policy after receipt of premium in life insurance and general insurance including health insurance; and

(i) any other matter resulting from the violation of provisions of the Insurance Act, 1938 or the regulations, circulars, guidelines or instructions issued by the IRDAI.

Governance related controls

Investment Committee: Every insurer is required to form an Investment Committee which consists of a minimum of 2 non-executive directors, Chief Investment Officer, Chief Financial Officer and Appointed Actuary to oversee the performance of the Investment function.

Investment Policy: The Board, on the basis of approval of Investment Committee, has to approve an Investment Policy for the Company on an yearly basis, with a half yearly review mechanism. The policy shall address the issues relating to prudential norms, liquidity, management of assets and liabilities, scope of internal and concurrent audit and all other internal control of investment operations. It shall ensure adequate return on policyholders' funds and shareholders' funds. The Board shall review fund wise and product wise investment performance on a quarterly basis.

Key Points & Revision Summary

- ***Financial Markets :*** *A financial market is a market in which people trade financial securities, commodities, and value at low transaction costs and at prices that reflect supply and demand.*
- ***Money Market :*** *The term "money market" refers to the network of corporations, financial institutions, investors and governments which deal with the flow of short-term capital.*
- ***Money Market Instruments :***
  1. *Treasury Bills (T-Bills)*
  2. *Commercial Paper*
  3. *Bankers' Acceptances*
  4. *Government Agency Notes*
  5. *Local Government Notes*
  6. *Time Deposits*
  7. *Repurchase Agreements*
  8. *International Agency Paper*
  9. *Promissory Note*
  10. *Bill of Exchange or Commercial Bills*
  11. *Call and Notice Money*
  12. *Inter-bank Term Market*
  13. *Certificates of Deposits (CD)*
  14. *Repurchase Agreements (Repo)*
- ***Capital Market :*** *Capital markets are the markets for intermediate- or long-term debt and corporate stocks.*
- ***Stock Exchange :*** *Stock Exchange is an organized market for the purchase and sale of second hand listed industrials and financial {i.e., shares and debentures of corporate companies). Listed securities are those securities which appear on the approved list of a Stock Exchange.*
- ***Credit Rating Agencies in India :***
  1. *CRISIL (Credit Rating Information Services of India Limited)*
  2 *ICRA (Investment Information and Credit Rating Agency of India*
  3. *CARE (Credit Analysis and Research limited)*
  4. *SMREA*
  5. *Brickwork Rating*
  6. *India Rating and Research Pvt. Ltd.*
- ***American Depositary Receipt (ADR) :*** *American Depository Receipt (ADR) is a certified negotiable instrument issued by an American bank suggesting the number of shares of a foreign company that can be traded in U.S. financial markets.*

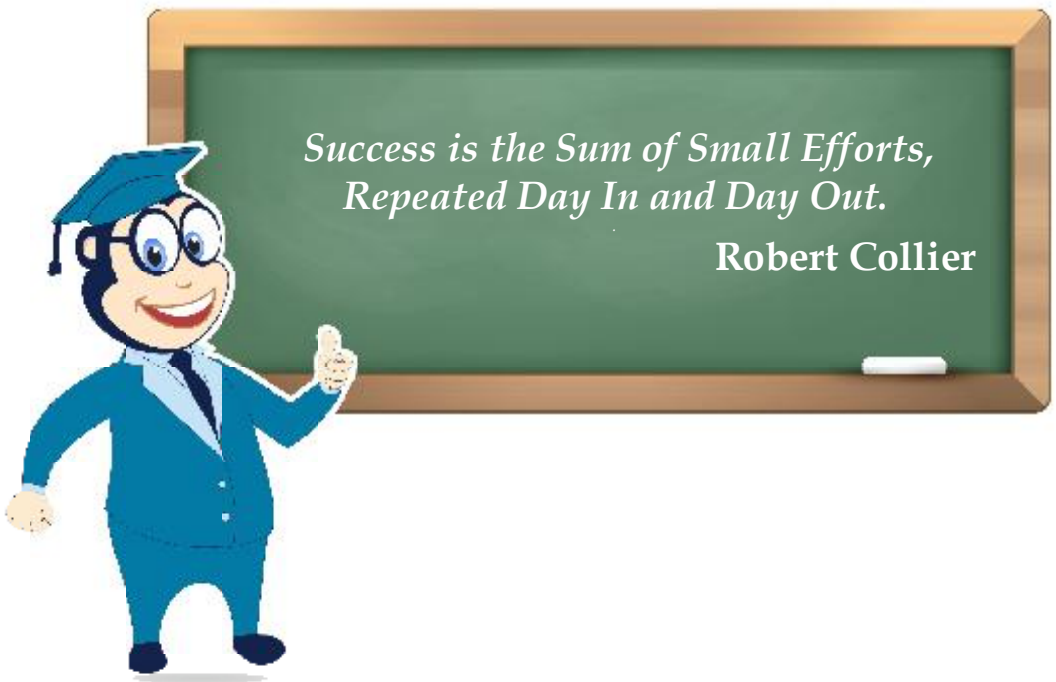
Key Points & Revision Summary

- ***Global Depositary Receipts (GDR) :*** *A Global Depositary Receipt (GDR) is a negotiable instrument issued by a depositary bank in international markets – typically in Europe and generally made available to institutional investors both outside and within the U.S. – that evidences ownership of shares in a non-U.S. company, enabling the company (issuer) to access investors in capital markets outside its home country.*
- ***Hedge Funds :*** *Hedge funds are alternative investments using pooled funds that employ different strategies to earn active return, or alpha, for their investors.*
- ***Mutual Fund :*** *Mutual funds are open and investment companies that invest shareholders' money in portfolio or securities. They are open ended in that normally offer new share to the public on a continuing basis and promise to redeem outstanding shares on any business day.*
- ***Types of Digital Payment System :***
  1. *Banking cards*
  2. *USSD*
  3. *Aadhaar Enabled Payment System (AEPS)*
  4. *UPI*
  5. *Mobile Wallets*
  6. *Point of Sale (PoS)*
  7. *Bharat Interface for Money (BHIM) app*
  8. *Internet Banking*
  9. *Mobile Banking*
  10. *IMPS*
  11. *Prepaid Instruments (PPIs)*
  12. *NETC and FASTag*
  13. *BharatQR*
  14. *NACH*
  15. *RuPay*
- ***Major Concepts in Digital Banking :***
  1. *Society for Worldwide Interbank Financial Telecommunications (SWIFT)*
  2. *RTGS (Real TimeGross Settlement) System*
  3. *NEFT (National Electronic Funds Transfer) System*
  4. *Magnetic Ink Character Recognition Code (MICR Code)*
  5. *Cheque Truncation System (CTS)*
- ***Insurance :*** *"Insurance is a contract by which one party, for a compensation called the premium, assumes particular risks of the other party and promises to pay ascertained sum of money in a specified contingency."*

Key Points & Revision Summary

- ***Types of Insurance :***
  - ***(A) Life insurance :*** *Life insurance is a contract wherein an individual is offered financial coverage by an insurance company in exchange for a payment over a period.*
  - ***(B) Non-Life Insurance :*** *A general insurance is a contract that offers financial compensation on any loss other than death. It insures everything apart from life.*
    1. *Health Insurance*
    2. *Motor Insurance*
    3. *Travel Insurance*
    4. *Home Insurance*
    5. *Fire Insurance*
    6. *Marine Insurance*
    7. *Rural Insurance*
- ***Risk Management :***

  Risk management is a logical approach to solving those problems a business face because it is expected to possibility of loss. ***- Mark S. Dorfman***



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